ATTACHMENT

U.S. Department of Housing and Urban Development
Office of Inspector General
451 7th St., S.W
Washington, D.C. 20410

April 20, 2004

MEMORANDUM FOR: Michael Stephens, Deputy Inspector General, G

James Heist

FROM: James Heist, Assistant Inspector General for Audit, GA

SUBJECT: Proposal for Realignment of the Office of Audit

I am proposing to realign staff within Headquarters to best address our mission workload and our current and anticipated budget constraints. The realignment would involve disbanding the Headquarters Audits Division and moving staff to other mission critical functions within Headquarters, Office of Audit.

Roughly two years ago we made a decision to disband the Capital District and create the Headquarters Audits Division. That decision was made, in part, due to the level of work that was anticipated in program areas that were centralized in HUD Headquarters. The workload has not materialized to the extent anticipated and thus the need for a separate Headquarters Audits Division does not exist. Future workload can be assigned to one of the remaining Office of Audit divisions, a regional office, or the newly created inspection function, under the Deputy AIG for Management and Policy.

The budget constraints that we are now facing and will continue to face into the coming years are a stark reality of the problems all of government is facing. We are currently under a hiring freeze so I cannot hire more staff in the Financial Audits Division or the Technical Oversight and Planning Division to address staffing needs. Our current year budget has been reduced and we are searching for ways to absorb even greater cuts in FY 2005.

The Chief Financial Officers Act of 1990 placed a statutory responsibility on the Office of Inspector General. Recent changes to the statutory due date for the audit have forced us to begin what is almost a continuous financial audit process, throughout the year, here in Headquarters. The staffing required to perform this audit is such that during the few months prior to completion of the audit, the audit work that must be done in Headquarters is too much for the Financial Audit Division to complete without assistance. This work has been performed by detailing staff from our field offices, which has helped with staff development and provided staff with experience needed for CPA certification. However, there are travel costs associated with this and given our current budget situation, we need to minimize TDY travel as much as possible. I therefore propose to transfer the remaining three Headquarters Audits Division staff auditors to the Financial Audits Division.

Exhibit E.21

GOVERNMENT
EXHIBIT
D

PAGE 1 OF 2

We realigned the Technical Oversight and Planning Division in Headquarters to allow us to better monitor the field audit work to ensure timely and effective audit products. We increased the ceiling of that staff to 15, however, prior to the hiring freeze, we were unable to fill all the positions and currently the Division is two under ceiling. The workload is tremendous and it is very difficult for the current staff to keep up in a timely manner. I propose to move the current Assistant Director of the Headquarters Audits Division to a Desk Officer position in the Technical Oversight and Planning Division. The Assistant Director can be transferred to the Technical Oversight and Planning Division immediately. I propose that the Division Director be immediately reassigned as a Special Assistant in the Office of Audit.

We have discussed this matter with our Human Resources Division and this realignment can be accomplished without anyone's grade being affected.

The Division has only two ongoing assignments. These are audits of HUD purchase cards and travel cards. I propose transferring the supervision of these assignments and reporting responsibilities to the Information Systems Audit Division. This transfer is logical since much of the work on these audits has involved the use of CAATS techniques in analyzing HUD and credit card transaction databases. Moreover, the Information Systems Audit Division performed the previous audit of HUD purchase cards. As Special Assistant in the Office of Audit, the current Headquarters Audit Division Director will be available, if necessary, to assist in the orderly completion of these ongoing assignments. We expect the ongoing assignments to be completed in July or August. As the three staff auditors are freed up, they will begin reporting to the Financial Audits Division at that time. This timeframe coincides with when they will be needed to work on the FY 2004 financial statement audit.

If you approve of this proposal I will move forward with implementation.

Michael P Stephens
APPROVE
4/20/04

DISAPPROVE